

# **PUBLIC DISCLOSURE**

**January 21, 1997**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Security Bank of Nevada  
#12-32-0041-0000  
530 Las Vegas Boulevard South  
Las Vegas, Nevada 89101**

**Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, California 94105**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Security Bank of Nevada** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of January 21, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are neither required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

**INSTITUTION'S RATING:** This institution is rated satisfactory, based on the findings presented in the following discussion of the institution's performance.

First Security Bank of Nevada has undertaken strong outreach and ascertainment activities within its delineated community and has created products and extended loans to adequately meet those needs. The bank has determined that small business credit is an important need in the area, and has focused on providing this type of credit through direct business lending and through participation with government-guaranteed programs, such as the Small Business Administration (SBA) 7-A program, Low Doc program, and 504 program. The vast majority of the bank's loan portfolio is centered in business-related lending.

### **SCOPE OF EXAMINATION**

The scope of the examination included the time period from July 31, 1995 (the previous date of examination) through January 21, 1997. The review focused on the bank's extension of business (commercial) loans, but in some instances included analysis of some consumer credit extended during the sample period. Although the bank does not currently engage in extending residential mortgage loans, such loans reported by the bank in its 1995 Home Mortgage Disclosure Act (HMDA) Statement were also included in the analysis.

First Security Bank of Nevada's community delineation had been revised twice since the previous examination. From August 1995 through February 1996, the delineation encompassed the entirety of Clark County, Nevada. This was the delineation utilized in the analysis of the 1995 HMDA information. From February 1996 through January 1997 (date of the current examination), the bank's delineation consisted of a 2-mile radius surrounding each of its seven offices, all of which are located in Clark County. That delineation includes 54 census tracts which were used in the analysis of the bank's business lending since the previous examination and in a sample of recent consumer and business credit extensions.

## **PROFILE**

### **DESCRIPTION OF INSTITUTION**

First Security Bank of Nevada is a full-service financial institution which consists of seven offices located in Clark County, Nevada. The bank is an affiliate of First Security Corporation, a bank holding company based in Salt Lake City, Utah. As of September 30, 1996, First Security Bank of Nevada had total assets of \$421.9 million. As previously mentioned, the bank is primarily a business lender. A review of the bank's loan portfolio as of September 30, 1996 reveals the following distribution:

Loans secured by Real Estate	54%
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Commercial/Industrial Loans	39%
Consumer-purpose Loans	4%
Other Loans/Leases	3%

With the majority of the loans secured by real estate extended for commercial purposes, approximately 93% of the bank's portfolio consists of business loans.

The bank also offers various interest and non-interest bearing deposit accounts for consumers and businesses. The bank has two proprietary automated teller machines (ATMs), and offers its customers access to their accounts through a nationwide ATM network, and through a 24-hour telephone banking line.

## **REASONABLENESS OF DELINEATED COMMUNITY**

The bank's delineated community has been revised twice since the previous CRA examination in July 1995. At the time of the previous examination, the bank's delineation was the greater metropolitan area of Las Vegas, Nevada. In August 1995, the delineation was modified to include the entirety of Clark County, Nevada.

First Security Bank of Nevada's current delineated communities (approved in February 1996) consist of a 2-mile radius surrounding each of its seven offices in Clark County, Nevada. Six of the offices are located in the Las Vegas metropolitan area, and one office is located in Mesquite, Nevada.

The current delineation of First Security Bank of Nevada consists of all (or portions of) 54 out of the 120 census tracts comprising Clark County, Nevada, all of which are part of the Las Vegas, NV MSA #4120.

According to the 1990 census, the total population of the delineation was 338,195. In regards to income distribution, the assessment area had 84,998 families, with 17.9% considered low-income, 18.1% moderate-income, 21.9% middle-income, and 42.1% upper-income. Also, 7.8% of the families within the delineation were considered to be living below the poverty line. On a dollar income basis, the median family income of the bank's delineation is \$35,281, which is higher than the MSA median income of \$33,965 and slightly below the state median income of \$35,837.

There are three primary employment sectors within the area. They are the service industry (56%), retail trade (18%), and construction (10%), all fueled by the casino/hotel/gaming/tourist industries. Based on census data, the vast majority (94%) of workers in the county are employed in small businesses that have fewer than 50 employees. This was also confirmed by a community contact interviewed during the examination.

The bank's current delineations are considered reasonable.

**Assessment Factor K - The institution's ability to meet various credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

The bank's overall CRA performance was rated satisfactory at the previous examination conducted July 31, 1995. At that time, it was determined that the bank had taken an affirmative role in meeting the credit needs of its entire community in a manner consistent with its resources and capabilities.

Given the bank's current record, there continues to be no apparent legal or financial impediments, other than its legal lending limit, that restrict the bank's ability to meet its communities' credit needs.

**Assessment Factor C - The extent of participation by the institution's board of directors in formulating policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

First Security Bank of Nevada's board of directors exercise satisfactory policy oversight, conduct regular reviews of the bank's CRA activities and performance, and are involved in activities to develop, improve, and enhance the local community. This was demonstrated through review of the board meeting minutes, bank committee meeting minutes, and discussions with bank management.

The directors appointed a CRA committee, which includes a member of the board of directors, to direct and keep them informed of the bank's adherence to CRA-related policies and the activities that arise from those policies. The board reviews the annual report of loan applications, which includes analyses of the bank's credit extensions to small businesses, geographic distribution of loans within its delineated communities, and distribution according to income levels of both the census tracts and the gross revenues of businesses.

The board is also supportive of implementation and on-going training regarding CRA for bank employees, including specific computer-based training.

The board generally ensures that the technical requirements of CRA are met through the CRA committee, the CRA and Compliance Officers, and the holding company's internal audit division. Although the bank was not in compliance with a technical provision of the Act, it had no impact on the assessment of the bank's overall CRA performance.

## **CRA PERFORMANCE**

First Security Bank of Nevada's overall CRA performance continues to be satisfactory. Analysis of the bank's geographic distribution of lending, marketing and types of credit offered and extended, community development activities, general compliance with anti-discrimination laws and regulations, and ascertainment of community credit needs indicated that the bank has taken

adequate steps to ascertain credit needs, develop products, and extend credit in a satisfactory manner.

## **GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES**

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

In analyzing the bank's geographic distribution of lending, examiners reviewed the level of lending inside the bank's delineation, the level of lending to geographies (census tracts) of various income levels (particularly to low- and moderate-income census tracts), and the level of lending to borrowers of different income levels.

Examiners considered three sources in measuring the bank's record of lending within its delineated community. These sources were: the bank's internal analysis, the bank's public Home Mortgage Disclosure Act (HMDA) data and the loan files sampled during the examination. The conclusions from each resource are explained in the following narrative.

#### **Bank's Internal Analysis**

The bank analyzed the geographic distribution of its loan portfolio in July 1995 and December 1996. In each analysis, the bank tracked the number and dollar amount of loans and deposits within each census tract and calculated the *percent of loans within the delineation* in comparison to all the bank's loans. A direct comparison could not be made because the bank's delineated community changed during that period. Therefore, examiners relied on the bank's 1996 analysis.

The bank's analysis included all census tracts with any portion falling within a two-mile radius around each branch. The bank's report showed that 77% of its loans and 82% of the dollars lent were extended within its delineation.

The bank's definition of a low-income census tract was any tract with a median family income less than 60% of the Las Vegas Metropolitan Statistical Area (MSA) median family income. The definition of low-income under the CRA is less than 50%; therefore, examiners used the bank's reports but recalculated the results to show penetration into the different income categories of census tracts. In addition, the examiners included only those census tracts with at least 25% of the census tract area falling within the two-mile radius around each branch.

Examiners determined that there were 54 census tracts within the bank's delineation: 5 low-income (9%), 10 moderate-income (19%), 24 middle-income (44%) and 15 upper-income (28%). Based on the examiner's determination of census tracts, *the bank extended 62% of its loans and 70% of its total loan portfolio within its delineated community.* While this represents a majority inside the

delineation, it was a lower penetration than usually expected. Fifteen percent of the total number of loans, and fourteen percent of the total dollars extended within the bank's loan portfolio, were extended to low- and moderate-income census tracts. The following table reflects the distribution of the bank's lending into the various income categories of census tracts.

<b>Income Level</b>	<b>Tracts in Delineation</b>	<b>Number of Total Loans</b>	<b>% of Total Loans</b>	<b>Total Dollars Extended</b>	<b>% of Total Dollar</b>	<b>Distribution of Population</b>
Low	5	33	3%	\$ 12,064	7%	7%
Moderate	10	161	12%	13,901	8%	15%
Middle	24	594	45%	92,635	54%	44%
Upper	15	537	40%	67,438	30%	35%
<b>TOTALS</b>	<b>54</b>	<b>1,325</b>	<b>100%</b>	<b>186,038</b>	<b>100%</b>	<b>100%</b>

While 15% of loans went to low- and moderate-income areas, 22% of the population is located in those areas. Only one low- or moderate-income census tract had no loans, 0003.02; however, that tract contains predominantly residential housing units with limited commercial rental space. Four other low- or moderate-income census tracts contained fewer than five loans. These census tracts included one low-income tract, 0005.04, and three moderate-income tracts, 0003.01, 0004.00 and 0040.00. These tracts are located in or nearby the downtown area of Las Vegas. As a large portion of the downtown consists of hotels, motels, casinos and gaming enterprises, it is not unreasonable to expect that limited lending opportunities might be available in such an area.

As the bank's major product lines involve business lending, the bank also supplied an analysis of lending to small businesses inside it's delineation for the first two-quarters of 1996. That analysis showed that *84.5% of total small business loans extended for that period were located inside the bank's delineation:*

<b>SMALL BUSINESS LOANS</b> <b>Second Quarter YTD 1996</b> <b>ALL LOANS/ALL AREAS</b>				
<b>Area Income</b>	<b>Number of</b>	<b>Percentage of</b>	<b>Dollar Amount</b>	<b>Percentage of Total</b>

	Loans in Area	Total Loans	Extended in Area	Dollar Amount
LOW	8	2.5%	619	1.7%
MODERATE	49	15.2%	4,824	13.4%
MIDDLE	155	48.1%	20,069	55.8%
UPPER	110	34.2%	10,481	29.1%
<b>TOTAL</b>	<b>322</b>	<b>100.0%</b>	<b>35,993</b>	<b>100.0%</b>

<b>SMALL BUSINESS LOANS</b> <b>Second Quarter YTD 1996</b> <b>INSIDE DELINEATION</b>				
Area Income	Number of Loans in Area	Percentage of Total Loans	Dollar Amount in Area	Percentage of Total Dollar Amount
LOW	8	2.9%	619	2.0%
MODERATE	41	15.1%	4,300	13.8%
MIDDLE	138	50.7%	17,790	57.0%
UPPER	85	31.3%	8,490	27.2%
<b>TOTAL</b>	<b>272</b>	<b>100%</b>	<b>31,199</b>	<b>100%</b>
<b>TOTALS (as a Percentage of ALL AREAS)</b>		<b>84.5%</b>		<b>86.7%</b>

### HMDA Analysis

Although residential mortgage lending represents a very small portion of the bank's overall lending activity and the bank no longer engages in residential mortgage activity, the geographic distribution of the bank's reported 1995 HMDA applications was considered in the assessment of the bank's overall lending performance.

First Security Bank of Nevada has never been actively engaged in extending residential mortgage loans; however, because of accounting procedures initiated by the bank's holding company (First Security Corporation), certain HMDA reportable mortgage loans were transferred to the bank during 1995. All mortgage loans were subsequently transferred to another affiliate (First Security

Mortgage) in March 1996. This unusual occurrence is demonstrated by the following record of HMDA reported transactions by the Nevada bank for the past three reporting years:

<b><u>REPORT YEAR</u></b>	<b><u># OF LOANS REPORTED</u></b>
1994	11
1995	375
1996	13

Another factor to consider was that, from January 1995 through July 1995, the bank's delineation consisted of the "greater metropolitan area of Las Vegas"; however, from August 1995 through February 1996, the bank's delineation was changed to the entirety of Clark County, Nevada. Figures for the early portion of 1995 HMDA loans were not analyzed, but figures since the previous examination (July 1995) to the end of the 1995 reporting year showed that *100% of the HMDA reported loans were extended inside the bank's delineation of Clark County*. Examiners also reviewed information to determine whether affordable housing loans were available to low- and moderate-income applicants, considering loan amounts as a proxy for sales price information. For that time period, twenty-three (16%) of the loans extended were for \$85,000 or less. According to the Housing Authority of the City of Las Vegas and the Nevada Fair Housing Center, homes priced below \$90,000 are considered affordable for low- and moderate-income individuals.

#### Examination Sample

The loans selected for review during the examination included a sampling of consumer and commercial loans extended during approximately the six months prior to the examination date. The geographic analysis consisted of review of 133 loans. In assessing the level of lending inside the bank's delineation, it was found that *a majority of applications -- 53% originated from within the bank's delineated communities*. Though the percentage is just slightly above half the total, this may be due to the relatively low number of applications sampled. Applications by the census tract income levels is shown in the following table:

<b>EXAMINATION SAMPLE BY CENSUS TRACT (CT) INCOME LEVELS Consumer &amp; Business Applications</b>			
<b>CT Income Level</b>	<b>Number of Applications from</b>	<b>Percentage of Total Applications from</b>	<b>Percentage of CTs in Delineation</b>

	Income Level	Income Level	
LOW	2	2%	9%
MODERATE	10	8%	19%
MIDDLE	42	31%	44%
UPPER	79	59%	28%
<b>TOTALS</b>	133	100%	100%

The table shows that 10% of applications came from low- and moderate-income areas, but the percentage of low- and moderate-income tracts in the bank's delineation totals 28%. This underrepresentation of the demographics of the area could again be due to the small size of the sample. It was noted, however, that all five low-income census tracts in the delineation were represented by applications: one from a consumer, and five from business applicants.

The review of the level of borrower income or business revenues showed:

EXAMINATION SAMPLE					
Borrower Income Level	Number of Borrowers	Percentage of Total Borrowers	Business Revenues	Number of Businesses	Percentage of Total Businesses
LOW	22	25%	SMALL BUSINESS	36	80%
MODERATE	10	11%			
MIDDLE	3	3%	LARGE BUSINESS	9	20%
UPPER	51	60%			
<b>TOTALS</b>	88	100%	<b>TOTALS</b>	45	100%

The review of consumer applications showed that 36% came from low- and moderate-income individuals, which is a favorable when compared to the low- and moderate-income population of the delineation, which is 22%. Regarding business applicants, 80% of the business applications in the sample were from small businesses (businesses with <\$1 million in annual gross revenues).

## Conclusions

The review of lending from within the bank's delineated communities showed that a majority of applications and credit extensions came from inside First Security Bank of Nevada's delineations. The lending geographies (census tracts) of different income levels showed that more applications and loans are from upper-income areas. The bank's lending in the five low-income and 10 moderate-income tracts are not quite representative of the demographics of the areas; however, when looking at the *context* of the delineated areas (locations near downtown and composition of the downtown/business areas), there are plausible reasons for a lower level of lending. Also, even though the lending to low- and moderate-income areas was somewhat lower than expected, the lending to low- and moderate-income *individuals* was positive, in that a higher percentage (36%) of applications and lending was evident than the actual population of low- and moderate-income persons (22%) in the delineation.

Overall, the geographic distribution of applications and credit extensions for First Security Bank of Nevada was found to be satisfactory.

### **Assessment Factor G- The institution's record of opening and closing offices and providing services at offices.**

The bank has not opened or closed any branches since the previous examination. Bank management has implemented a branch closing policy which complies with Section 42 of FDICIA, to assess and limit the impact of closing of branches, should that circumstance arise.

Bank management indicated that a new branch, the McCarran Office located at 770 E. Warm Springs, Suite 100, Las Vegas, NV 89119, opened on February 10, 1997, during the course of the current examination. An additional branch is scheduled to be opened during the second-quarter of 1997.

## **MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community or the purchase of such loans originated in its community.**

First Security Bank of Nevada has made successful efforts to address identified community credit needs through its origination of a variety of types of credit. The bank's CRA Statement lists the types of credit it is prepared to extend, which encompasses a wide variety of loans:

Commercial Lending

Agricultural/Livestock Loans

Small Business Administration Loans (504 and 7A)

Short Term and Intermediate Term Financing

Lines of Credit

Commercial Letters of Credit

Standby Letters of Credit

Equipment Leases

Industrial Revenue Bonds

Participations

Business Credit Cards

Inventory Financing

Commercial Real Estate Loans

Consumer Lending

Unsecured Loan Programs

Simple Interest Loans, VISA, Student VISA, Mastercard, Cash Reserve,  
Quickline Revolving Lines of Credit

Direct Secured Loan Programs

Auto Loans, Recreational Vehicle Loans, Consumer Goods Loans, Farm &  
Heavy Equipment Loans, Home Equity Loans, Home Improvement Loans,  
Second Mortgages

Indirect Secured Loans

Auto Loans, Recreational Vehicle Loans, Consumer Goods Loans, Farm &  
Heavy Equipment Loans

Student Loans

The bank also lists Residential Lending credit products (mortgages for home purchase, conventional, FHA, VA, adjustable rate, construction/perm, etc.) and Municipal Lending facilities that are available through its affiliate, First Security Bank, NA. The bank will also consider community development loans, participation loans which benefit the local community, and government-sponsored development loans.

A review of the bank's loan portfolio, loans made during the sample period, and other information showed that the bank does extend the types of credit listed on its CRA Statement, or can arrange financing through its affiliate. The bank listed that it is prepared to extend agricultural loans; however, it had not done so due to the fact that its delineation encompasses only city areas, with no rural areas included. The bank's CRA Statement does not specifically list housing rehabilitation loans, although bank management stated that financing arrangements were possible, or could be

extended as a home improvement or second mortgage. While the bank originated some loans for consumer-purposes, these were generally made as accommodations to the bank's existing business (commercial) loan customers and represented a very small percentage of lending.

As previously discussed in Factor E of the Geographic Distribution category, First Security Bank of Nevada does not engage in residential mortgage lending, although it did have 375 HMDA applications reported in 1995 due to a transfer of HMDA loans from an affiliate for accounting purposes. The bank has historically extended, however, a small number of HMDA reportable home improvement loans generally as accommodations to established business loan customers. The bank's 1996 HMDA data (yet unreported) showed that 13 home improvement applications have been received.

The bank identified business lending as a significant credit need in the community, and its targeted business strategy is concentrated in the provision of that type of credit. As mentioned previously, the bank's loan portfolio as of September 30, 1996 consists of approximately *93% business lending, 4% consumer lending, and 3% in other loans and leases*. The majority (62%) of loans and 70% of the total dollars extended were located within the bank's delineated communities.

The following is a summary of the bank's lending in three major categories since the previous examination conducted in July 1995:

NEW LOANS EXTENDED July 1995 - December 1996						
LOAN TYPE	1995		1996		TOTALS By Loan Type	
	Number of Loans	Dollar Amount of Loans	Number of Loans	Dollar Amount of Loans	Number of Loans	Dollar Amount of Loans

Commercial	270	32,365,889	650	78,870,378	920	111,236,268
Real Estate	117	43,350,647	189	78,601,694	306	121,952,341
Consumer	135	4,019,666	225	5,616,805	360	9,636,471
<b>TOTALS</b>	<b>522</b>	<b>79,736,203</b>	<b>1,064</b>	<b>163,088,877</b>	<b>1,586</b>	<b>242,825,080</b>

The real estate totals in the above table is comprised mainly of commercial real estate loan transactions.

The table illustrates that the bank met the business credit needs of its community by a high level of lending (both in numbers and in dollars) through direct lending, as well as through active participation in SBA loan programs. The great majority of the bank's commercial lending was concentrated in small business loans.

**Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business and farm loans.**

First Security Bank of Nevada identified small business credit as an important need in the community and has taken a prominent role in participating in government-guaranteed loan programs. These programs were designed to specifically benefit small businesses having difficulty in qualifying for financing through traditional avenues.

Since the previous examination, the bank has extended 28 loans for over \$1.7 million through the SBA Low Doc and 7A programs. For fiscal year 1995, the bank was ranked second in the State of Nevada by the U. S. Small Business Administration office in Las Vegas for these types of loans, and ranked seventh for fiscal year 1996. These loans have benefitted various types of small businesses in the community including restaurants, small manufacturing, and various retail trades. A number of these businesses operate in low- and moderate-income areas and employ minority workers.

The bank was also in the top tier of commercial bank participants in the SBA 504 program, which provided long-term fixed asset financing for expanding businesses at preferred interest rates and low downpayments. Since the previous examination, the bank had extended 13 loans for approximately \$5.9 million. Of these loans, seven were extended in conjunction with the Nevada State Development Company (NSDC). One other NSDC project was financed through the bank's affiliate (First Security Bank of Utah). NSDC was recognized by the Small Business Administration as the top certified development company in SBA 504 lending for fiscal year 1996, with 77 business expansions arranged for a total of \$59.8 million. The bank's participation in NSDC projects accounted for almost 10% of the total number of business expansions for the period. As there are more than 60 commercial banks in Clark County, as well as other lenders (The Money

Store, AT&T Small Business Lending, etc.), the level of participation of First Security Bank of Nevada represented substantial and commendable provision of credit to local small businesses.

The bank's level of participation in SBA-guaranteed lending demonstrated exceptional responsiveness in addressing small business credit needs in the community.

**Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

The bank's marketing program is designed to inform all segments of the community about products and services developed to meet credit needs. The bank relies on direct customer contact, referrals from existing customers, public relations/community involvement, and local media advertising to market its loan products.

The bank's marketing and advertising programs are reviewed and approved by senior management and the board of directors. However, most advertising is driven by the bank holding company's corporate marketing department in Utah. Since the previous examination, the corporation underwent a major self-assessment, in which management evaluated existing procedures and business strategies. As a result, management concluded that the corporation should become more focused in its choices about advertising subjects and the mediums utilized. As First Security Bank of Nevada's loan demand was deemed satisfactory, the bank has not engaged in a high-degree of advertising since the previous examination.

Advertising consisted of the use of print media (local newspapers, magazines, community and ethnic events programs, local business directories, flyers and brochures) and some limited television promotion. The bank engaged in specific product advertising and general image advertising. As the bank determined that business lending was an important credit need in the community, and particularly targets this type of lending as its major business strategy, most product advertisements focused on small business loans for operating lines, equipment and inventory purchases, commercial construction, and new business start-ups. Advertising also specifically targeted governmentally-insured and guaranteed SBA lending; the bank has been very active in the SBA - 7A and Low Doc programs, as well as the SBA 504 program. Other products that have appeared in advertisements include real estate loans, commercial banking services, retail banking services, trust services, and deposit-oriented products. Local newspapers, business journals, and event programs and brochures contained these advertisements, including Spanish language advertisement in El Mundo, a local Hispanic newspaper. Also, advertising in an Asian Chamber of Commerce event program promoted small business loans and real estate loans in four languages: Chinese, Korean, Pilipino and English.

The bank maintains advertising and marketing records through its Sales and Marketing Department, with the actual advertising file maintained by the bank's Compliance and CRA Officer. All advertisements are reviewed and approved by the Marketing Department, CRA Officer, and

Operations Compliance Officer prior to publication to ensure compliance with consumer laws and banking regulations.

Much of the bank's marketing efforts involve personal contacts and community involvement with individuals and groups representing all segments of the area. The bank has conducted extensive outreach efforts with representatives from a broad spectrum of the community organizations mentioned under Assessment Factor A (Ascertainment). Bank representatives use these contacts to solicit input from the community on the types of credit and banking services needed, as well as to provide information on the specific products the bank offers to meet those needs. The bank has also provided assistance to individuals and groups in understanding and applying for credit. The bank has sponsored and participated in various local trade shows and seminars involving finance and obtaining small business loans. For example, in 1996 the bank presented a workshop to the Real Estate Marketing Group, Inc. on "Working Capital." This group consists of low- to moderate-income small business entrepreneurs.

The bank's marketing methods, advertising, community contacts and involvement represent effective means of making the community aware of the credit services it offers.

## **COMMUNITY DEVELOPMENT**

### **Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank is thoroughly aware of development and redevelopment opportunities within its community through its contacts with local government officials, through ongoing communications with the SBA and other small business organizations, and affordable housing groups and consortiums, such as the Nevada Community Reinvestment Corporation (NCRC).

The NCRC is a consortium of financial institutions organized to finance affordable housing. First Security Bank of Nevada participated, on a pro-rata basis, in a \$40 million revolving loan pool. Loans are extended for construction, permanent, acquisition, and rehabilitation purposes under NCRC's program. In 1995, six loans were extended, and in 1996 another five loans were closed.

Since the previous examination the bank has also committed monetarily to the operating fund for a local affordable housing organization.

The bank was also heavily involved with a national organization the purpose of which is to assist local individuals and communities in rebuilding deteriorated neighborhoods. The bank had pledged monetary contributions over a three-year period to organization to assist in the establishment of a Las Vegas-based office.

The bank participates with another organization which was designed to assist low- and moderate-income women and men in becoming self-sufficient through entrepreneurial training and access to credit.

The bank has extended numerous direct loans to small businesses to support and encourage economic growth and assist in business start-ups and expansion. Examples of some of the bank's community development lending since the previous examination include:

- \* \$25,000 start-up financing for a local law practice
- \* \$30,000 loan to a minority-owned medical service business
- \* \$40,000 start-up financing for a small transportation business
- \* \$50,000 start-up financing for a dental practice
- \* \$42,000 in loans to two minority-owned small retail businesses
- \* \$100,000 expansion loan to a woman-owned trucking operation
- \* \$177,000 commercial property/expansion loan for a home healthcare service for mentally-disabled individuals
- \* the bank also participated in the acquisition and development financing for 130 lots and 174 housing units in northwest Las Vegas for affordable housing for low- and moderate-income persons

The bank participates in community development through its investments in local municipalities. The bank's investment portfolio includes local municipal securities, along with collateralized mortgage securities, and SBA-backed investments.

The bank has satisfactorily participated in the development of its community through its lending and investment activities.

**Assessment Factor L - Any other factors that in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.**

In its efforts to explore activities to help meet community credit needs in ways other than lending, the bank has sponsored and participated in a number of financial and credit education seminars to benefit the community. Recent examples included a seminar conducted by a bank representative on "Working Capital." Also, a small business "Financial Management Seminar" was presented, specifically directed toward small business and minority business owners. First Security Bank of Nevada also provided scholarships to 23 participants of this seminar totaling \$5,300. The bank participated in the presentation of the community-wide "Access to Capital" meetings with the Hispanic American and African American communities. First Security Bank of Nevada co-sponsored the 1996 "Nevada Affordable Housing Conference," in association with two affordable housing organizations.

The bank was also represented in various focus group meetings for a local Native-American group and the local chapter of a women's business owners association.

The bank has made monetary donations to community groups involved with education, art and cultural activities, civic associations, health and human service organizations, and groups with specific CRA identified needs. Donations for 1995 totaled \$82,301 and donations for 1996 totaled \$97,682. Some of the beneficiaries of donations included a local organization which provides transitional housing to homeless women with children, as well as permanent rental units and homeownership opportunities for low-income families; an emergency shelter for women and children, a minority business council, and the local chapter of a national organization which support economic development.

First Security Bank of Nevada has successfully engaged in activities that help meet credit and other community needs.

## **DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

### **Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.**

First Security Bank of Nevada is generally in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Fair Housing Act and statutes pertaining to non-discriminatory treatment of credit applicants. The bank has adopted a fair lending policy statement, provided training to bank personnel responsible for accepting and evaluating loan applications, and implemented monitoring procedures to ensure compliance. The bank also performs audits to detect possible violations or inconsistencies in the application of loan policies. The bank's program for compliance with fair lending regulations is reasonably effective, although a violation was detected during the examination. The violation was an isolated instance, and did not impact the bank's overall CRA rating. Bank management was very responsive to corrective action recommendations, and will reinforce training to ensure that such violations do not transpire in the future.

### **Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statements.**

First Security Bank of Nevada solicits credit applications from all segments of it delineated communities, including low- and moderate-income areas and individuals. The review of sampled loan transactions and bank articulated policies found that the bank does not exclude any geographic area of the community from applying for the types of credit set forth in its CRA statement, and that marketing and advertising is designed to reach the entire delineation. There was no evidence found of discouraging or prescreening applicants.

The bank has adequate policies and procedures in place and adequate training is provided to employees responsible for taking credit applications. The bank's credit practices are reasonable.

## ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

**Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.**

First Security Bank of Nevada has an effective process in place to fully ascertain the credit needs of its delineated communities. The bank's board of directors, senior management, and employees maintain active relationships with private and public sector representatives and meaningful and ongoing contacts with a full range of individuals and groups representing civic, religious, educational, housing issues, economic development, and small business organizations, with particular emphasis toward low- and moderate-income neighborhoods.

In addition, bank management maintained relationships with a large number of non-profit affordable housing groups. One such group is a non-profit corporation created by financial institutions in Nevada in order to develop and preserve affordable housing and to rehabilitate low- and moderate-income housing. This is achieved by a \$40 million loan pool funded by participating banks, such as First Security Bank of Nevada.

The bank also maintains ongoing contact with local city and government officials in the area. Bank representatives have met with officials from the mayor's office, the manager of the City of Las Vegas Community Resource Development Department, and the City Department of Community Planning, the State Coordinator of the U.S. Department of Housing and Urban Development, and a State Senator. These contacts facilitated information exchange between the bank and the communities served about local initiatives and programs that led to opportunities for bank participation. It also allowed the bank to inform officials of the credit programs available through First Security Bank of Nevada.

The bank's CRA Officer maintained records of meetings with community groups, individuals, economic development organizations, and local officials and utilized the information in conjunction with local demographic data to inform and advise bank management and the board of directors of local credit needs.

Through its ascertainment efforts, the bank determined that small business was a major credit need in the community. This focused the bank toward products and credit services which were reasonably suited to identified needs, such as its effective involvement in SBA lending and creation of a wide-variety of commercial loan products. Through its proactive outreach, the bank was successful in extending credit to groups and individuals representing the various organizations with whom it has met.

Even though FSNB is a business bank, it has not limited its ascertainment and outreach efforts to small business credit; it has continued to perform outreach to various other credit needs, such as affordable housing, and found methods to address those needs through participation with various

organizations such as NCRC. The bank has taken a very proactive approach, and its performance in ascertaining community credit needs and informing the community of its credit services is exceptional.

**APPENDIX A**

<b>SCOPE OF EXAMINATION</b> <b>November 1996</b>		
<b>TIME PERIOD REVIEWED</b>		<b>July 31,1995 - January 21, 1997</b>
<b>FINANCIAL INSTITUTION</b>		
<b>NAME</b>		<b>PRODUCTS REVIEWED</b>
<b>First Security Bank of Nevada</b>		<b>Small Business Consumer Loans</b>
<b>AFFILIATE(S)</b>		
<b>NAME</b>		<b>PRODUCTS REVIEWED</b>
N/A		
<b>LIST OF COMMUNITY DELINEATIONS</b>		
<b>COMMUNITY DELINEATION</b>	<b>BRANCHES VISITED<sup>1</sup></b>	<b>OTHER INFORMATION</b>
<b>NEVADA</b>  <b>54 Census Tracts in Clark County</b>	<b>Main Office, Green Valley, West Sahara, Renaissance Center (operations), Tropicana/Eastern</b>	<b>Examined under "old" 12 assessment factors. Delineation is 2-mi. radius surrounding each of 7 offices</b>

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<sup>1</sup>There is a statutory requirement that the written evaluation of a multi-state institution-s performance must list the individual branches examined in each state.

## **APPENDIX B**

### **Identification of Ratings**

**In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:**

#### **Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.